

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2004**



**CRIT LUALLEN  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

The enclosed report prepared by Mountjoy and Bressler, LLP, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Webster County, Kentucky, for the year ended December 31, 2004.

We engaged Mountjoy and Bressler, LLP to perform the audit of this statement. We worked closely with the firm during our report review process; Mountjoy and Bressler, LLP evaluated the Webster County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen  
Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WEBSTER COUNTY SHERIFF**

**For The Year Ended  
December 31, 2004**

Mountjoy and Bressler, LLP has completed the Webster County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$70,385 from the prior year, resulting in excess fees of \$292,034 as of December 31, 2004. Revenues increased by \$84,580 from the prior year and expenditures increased by \$14,195.

#### **Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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The Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Webster County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable James R. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Webster County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy and Bressler, LLP

Audit fieldwork completed -  
August 3, 2005

WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State - Kentucky Law Enforcement Foundation Program Fund		\$	14,195
State Fees For Services:			
Finance and Administration Cabinet	\$	44,269	
Sheriff's Security Service		9,511	
House Bill 413		<u>3,503</u>	57,283
Circuit Court Clerk:			
Fines and Fees Collected			12,156
Fiscal Court			
Election Commission	\$	240	
Sheriff's Salary		61,860	
Training Incentive		<u>2,305</u>	64,405
County Clerk - Delinquent Taxes			3,138
Commission On Taxes Collected			164,956
Fees Collected For Services:			
Auto Inspections	\$	4,800	
Serving Papers		23,627	
Carrying Concealed Deadly Weapon Permits		<u>2,580</u>	31,007
Other:			
In Lieu of Taxes	\$	26,814	
Extra Penalty		26,628	
Transporting Prisoners		4,297	
Miscellaneous		1,992	
Settlement		<u>507</u>	60,238
Interest Earned			<u>1,324</u>
Total Revenues		\$	408,702

The accompanying notes are an integral part of this financial statement.

WEBSTER COUNTY  
 FRANKIE SPRINGFIELD, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2004  
 (Continued)

Expenditures

Kentucky Law Enforcement Foundation Program Fund	\$	14,195
Fiscal Court - Serving Papers		7,640
Other Charges-		
In Lieu of Taxes	\$	25,500
Transcor-Prisoner Transport		3,209
Carrying Concealed Deadly Weapon Permits		1,280
Refunds		421
Miscellaneous		153
Jury Meals		56
Postage		49
		<hr/>
		30,668
Total Expenditures	\$	52,503
Net Revenues	\$	356,199
Less: Statutory Maximum		<hr/>
		61,860
Excess Fees	\$	294,339
Less: Training Incentive Benefit		<hr/>
		2,305
Excess Fees Due County for 2004	\$	292,034
Payments to Fiscal Court		<hr/>
		292,034
Balance Due Fiscal Court at Completion of Audit	\$	<hr/>
		0

The accompanying notes are an integral part of this financial statement.

WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

COMMENT AND RECOMMENDATION





WEBSTER COUNTY  
FRANKIE SPRINGFIELD, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

We noted the lack of adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. Therefore, Mountjoy and Bressler, LLP has judged the lack of an adequate segregation of duties as a reportable condition and a material weakness of the Webster County Sheriff.

Because of the limitations of the Sheriff's office, compensating controls may offset a proper segregation of duties. Compensating controls, would require the Sheriff's direct supervision over receipts and disbursements and includes but, is not limited to the following:

- (1) Surprise cash counts by the Sheriff.
- (2) Requiring dual signatures on checks with one being that of the Sheriff.
- (3) Requiring employees to be cross-trained.

We recommend that these controls be performed in order to offset a lack of segregation of duties. Documentation of these controls should be maintained for the auditor in order to verify their existence.

*Sheriff's Response: None.*

PRIOR YEAR:

The Sheriff's Settlement Should Be Published In A Timely Manner - This comment was corrected during the calendar year 2004.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





The Honorable James R. Townsend, Webster County Judge/Executive  
 Honorable Frankie Springfield, Webster County Sheriff  
 Members of the Webster County Fiscal Court

Report On Internal Control Over Financial Reporting And  
 On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Webster County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated August 3, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Webster County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Webster County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Mountjoy & Bressler, LLP.*

Mountjoy and Bressler, LLP

Audit fieldwork completed -  
August 3, 2005

